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Commissioner James H. Quello  
Federal Communications Commission  
1919 M Street, N.W.  
Room 802  
Washington, D.C. 20554

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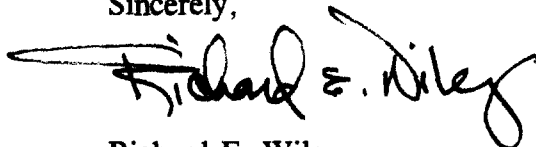
Re: Interconnection Proceeding  
CC Docket No. 96-98

Dear Commissioner Quello:

In evaluating the divergent views expressed in the *Interconnection Proceeding*, there is a middle ground that should accommodate the needs of both interconnectors and incumbent local exchange carriers. The attached document outlines a reasonable approach for the Commission to take. Pacific Telesis is willing to endorse the attached approach in a spirit of cooperation with the Commission to help it reach workable policy decisions in this proceeding. Pursuant to Section 1.1206(a) of the rules, I have sent two copies of the attached document for inclusion in the docket in this proceeding.

Please let me know if you have any questions.

Sincerely,



Richard E. Wiley  
Counsel for Pacific Telesis Corp.

Enclosure

cc (w/enc.): William F. Caton  
Lauren Belvin

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## **A Reasonable Approach to Resolving Section 251 Interconnection Issues**

The FCC faces enormous challenges in sifting through the positions of industry factions over implementing the interconnection requirements in the 1996 Telecommunications Act 1996.

A reasonable middle ground exists on each of the major issues: a strong national policy insuring local competition can be adopted without favoring one side or the other.

### **Federal/State Relationships in Implementing the Act**

Some want detailed federal standards that preempt state authority. Others want complete deference to the states and private negotiations.

*The FCC should adopt national guidelines that afford a reasonable measure of flexibility to the states in their implementation.*

### **Pricing of Unbundled Elements and Interconnection**

Some want prices set on the basis of TSLRIC using models of a hypothetical network that will never exist. Others want full recovery of the historical, embedded costs of the existing network.

*The FCC should adopt pricing guidelines that are based on TSLRIC and recovery of reasonable, forward-looking joint and common costs and permit the states to determine the appropriate forward-looking costs and the profit afforded to the ILEC. This approach simplifies the regulation sufficiently to avoid the need for proxies.*

### **Access Charges**

Some want the IXCS to have the right to bypass access charges freely and completely by acquiring a complete set of unbundled network elements under Section 251. Others want IXCS to always pay full access charges.

*The FCC should only allow IXC's to use Section 251 elements and interconnection pricing to the extent that they are also a CLEC serving the local customer with its own switch, and the FCC should adopt strict reporting requirements to ensure that IXC's pay access charges on toll services until the FCC implements access charge and universal service reforms. An IXC should not be allowed simply to receive access through a complete set of unbundled network elements, with no change in the interconnection arrangements they have today because that would lead only to repricing access and avoidance of resale pricing.*

### Unbundled Network Elements

Some want dozens of different types of network capabilities unbundled. Others would restrict unbundling to just a few elements.

*The FCC should establish guidelines that call for unbundling to include loop, tandem transport, trunked transport, local switching (through port access), tandem switching, and signalling links, and the FCC should direct the states and the industry to explore when and if additional elements warrant unbundling in the future.*

*Operator service is not a piece of the network eligible for network element treatment, but is a service: access to it will be provided through other parts of the Act.*

### Resale

Some want the right to obtain massive retail discounts. Others want resale restricted to modest discounts.

*The FCC should establish guidelines for the states that would set wholesale resale rates by subtracting actual avoided costs, adding the additional costs caused by resale, and permitting reasonable restrictions on resale consistent with Section 201 of the Communications Act.*